



0000160252

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman

BOB STUMP
Commissioner

BOB BURNS
Commissioner

DOUG LITTLE
Commissioner

TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

FEB - 9 2015

DOCKETED BY	hR
-------------	----

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES LLC FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA, RE
CAGR D ADJUSTOR FEES

DOCKET NO. WS-02987A-08-0180

DECISION NO. 74947

ORDER

Open Meeting
February 3 and 4, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 27, 2014, pursuant to Decision No. 71854 (August 24, 2010), and as modified by Decision No. 73284 (July 30, 2012) and Decision No. 74701 (August 21, 2014), Johnson Utilities L.L.C. ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR D") adjustor fees.

2. Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of excess groundwater. The conditions, as modified by Decision No. 73284, require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGR D fees for the next twelve-month period (along with documentation from the relevant state agencies to support the

...

calculations), to apply to all water sold after December 1.¹ On December 22, 2014, Johnson amended its application for the Pinal Active Management Area (“AMA”), restating the request for a CAGR reset. CAGR had issued a revised invoice, reducing the Company’s obligation.

Background

3. The CAGR was established by the Arizona legislature to serve as a groundwater replenishment entity for its members, and it provides a mechanism for designated water supply providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGR to replenish groundwater pumped by the member that exceeds the specified pumping limits. The CAGR is recognized as an important tool in Arizona’s groundwater conservation efforts.

Calculation of the CAGR Adjustor Fees

4. Decision No. 71854 specified nine conditions regarding the CAGR adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: “The total CAGR fees paid by the Company for the most current year . . . shall be divided by the gallons sold by the Company in that year to determine a CAGR adjustor fee per 1,000 gallons.”²

5. Condition Nos. 2 and 3 ordered that the Company “place all CAGR monies collected from customers in a separate, interest bearing account,” only to be withdrawn for the annual payment to the CAGR, due on October 15 of each year.³ Decision No. 74701 revised Decision No. 71854 in regard to the segregation of CAGR funds: “In the event of a shortfall, the Company shall only reimburse itself by withdrawing each month from the CAGR Account an amount not to exceed 1/12th of the shortfall advanced by the Company until the full amount of any advance has been returned to the Company.”⁴

6. In addition, although the order did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the adjustor reset . . .

. . .

¹ Decision No. 73284, page 3, lines 2 - 8.

² Decision No. 71854, page 38, lines 22 - 26.

³ Decision No. 71854, page 38, lines 12 - 16.

⁴ Decision No. 74701, page 2, lines 14 - 16.

each year. This understanding was confirmed by the Commission's provision for a true-up in Decision No. 72634.⁵

7. The Company proposes a rate of \$0.27 per 1,000 gallons for its Pinal AMA. Staff has reviewed the Company's proposed calculations and the supporting documentation submitted with its request. Staff agrees with the methodology employed by the Company to calculate the true-up and the proposed adjustor rate.

Pinal AMA

On October 27, 2014, Johnson filed for the reset of CAGRDR adjustor fees for both the Phoenix AMA and the Pinal AMA. The CAGRDR reset for the Phoenix AMA was ordered by Decision No. 74861 on December 18, 2014. On November 24, 2014, the Company acknowledged that the 2013 CAGRDR invoice for the Pinal AMA had been revised. The Company recalculated its proposed adjustor fee for the Pinal AMA and filed the amended application on December 22, 2014. Staff has reviewed the revised information before making a specific recommendation related to the revised Pinal CAGRDR rate.

The current CAGRDR fee for the Pinal AMA is \$0.43 per 1,000 gallons.

True-up

The 2012 CAGRDR invoice for the Pinal AMA replenishment assessment was \$117,186.64. The Company reports that collections and interest as of September 30, 2014, total \$137,126.44.⁶

This true-up calculation indicates an over-collection of approximately \$22,658.08 as follows:

a.	2011 over-collection of CAGRDR fee	\$ (2,545.07)
b.	2012 CAGRDR invoice	117,186.64
c.	Less: Collections and interest through September, 2014	137,126.44
d.	2012 CAGRDR over- collection [A+B-C]	\$ <u>(22,658.08)</u>

⁵ Decision No. 72634, page 4, line 19 through page 5, line 10.

⁶ Company's application dated December 22, 2014.

Adjustor Fee

8. The revised 2013 CAGR D invoice for Johnson's Pinal AMA totals \$99,681.03. The Company's 2013 annual report as submitted to the Arizona Department of Water Resources ("ADWR") indicates annual water sales of 282,430 (1,000 gallons).

9. Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$0.27.

a.	2013 CAGR D invoice	\$ 99,681.03
b.	Less 2012 over-collection & rate adjustment	\$ (22,658.08)
c.	Amount to be recovered [A+B]	\$ 77,022.95
d.	Total sold in 2013 (1,000 gallons)	<u>282,430</u>
e.	Charge per 1,000 gallons [C ÷ D]	\$ <u>0.27</u>

Conclusions and Recommendations

10. Staff concludes that the Company has duly filed a sufficient request to revise its Pinal AMA CAGR D adjustor fee, as required by Decision No. 73284.

11. Staff recommends approval of the CAGR D adjustor fee for the Pinal AMA as described herein.

12. Staff recommends that the Company file, within 7 days of a Decision in this matter, the CAGR D adjustor fee tariff for the Pinal AMA consistent with the rate approved herein.

13. Staff recommends that the Company notify its customers of the Pinal CAGR D adjustor fee tariff approved in the first bill in which this fee appears.

14. Staff recommends that the CAGR D adjustor fee authorized herein become effective for all billings after February 1, 2015.

15. We find that Staff's recommendations are reasonable and should be adopted.

...

...

CONCLUSIONS OF LAW

1
2 1. The Company is a public water service corporation within the meaning of Article XV
3 of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

4 2. The Commission has jurisdiction over the Company and the subject matter of the
5 application.

6 3. Approval of the proposed Pinal AMA CAGR D adjustor fee is consistent with the
7 Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable
8 case law.

9 4. It is in the public interest to approve the Company's request for implementation of the
10 Pinal AMA CAGR D adjustor fee as discussed herein.

ORDER

11
12 IT IS THEREFORE ORDERED that the application by Johnson Utilities L.L.C. to
13 implement a new CAGR D adjustor fee for the Pinal AMA is approved for all customer billings for
14 water sold after February 1, 2015.

15 IT IS FURTHER ORDERED that the CAGR D adjustor fee for Johnson Utilities L.L.C. shall
16 be \$.27 per 1,000 gallons for the Pinal AMA.

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. docket with the Commission as a
2 compliance matter, within seven (7) days of the effective date of this Decision, the Pinal AMA
3 CAGRD adjustor fee tariff consistent with the rate approved herein.

4 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. shall notify its customers of the
5 CAGRD adjustor fee approved herein in the first bill in which this fee appears.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
10 
11 CHAIRMAN

10 
11 COMMISSIONER

12 
13 COMMISSIONER

12 
13 COMMISSIONER

12 
13 COMMISSIONER

14
15 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of
16 the Arizona Corporation Commission, have hereunto, set my hand and
17 caused the official seal of this Commission to be affixed at the Capitol,
18 in the City of Phoenix, this 9th day of
19 February, 2015.

18 
19 
20 JODI JERICH
21 EXECUTIVE DIRECTOR

22 DISSENT: _____

23
24 DISSENT: _____

25 SMO:JK:sms\RRM
26
27
28

1 SERVICE LIST FOR: Johnson Utilities, L.L.C.
2 DOCKET NO. WS-02987A-08-0180

3 Mr. George Johnson
4 5230 E. Shea Blvd.
5 Scottsdale, Arizona 85254

6 Mr. Jeffrey Crockett
7 One E. Washington, S. 2400
8 Phoenix, Arizona 85004

9 Mr. Daniel Hodges
10 5230 E. Shea Blvd Ste. 200
11 Scottsdale, AZ 85254

12 Mr. Craig Marks
13 10645 N. Tatum Blvd.
14 Suite 200-676
15 Phoenix, Arizona 85028

16 Mr. James Mannato
17 Florence Town Attorney
18 775 N. Main Street
19 P.O. Box 2670
20 Florence, Arizona 85253

21 Mr. Garry Hays
22 1702 E. Highland Ave., #204
23 Phoenix, Arizona 85016

24 Mr. Daniel Pozefsky
25 Chief Counsel
26 RUCO
27 1110 West Washington, Suite 220
28 Phoenix, Arizona 8007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007